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Query on Financial instrument treatment under ind-As


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[pagal bachha](#) (Student CA Final)  13 February 2019

Dear All

Need your guidance for treatment under IND-AS for below query :

A limited issue 100 14% Optionally convertible debentures having face value of 1000 each for a period for 3 year to B limited

Interest is to be paid on semi-annually basis subject availability of funds in Co.

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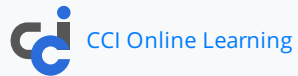
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Co. Is taking 8% for fair valuation.

Debentures to be redeemed or converted into 100 equity shares at the end of 3 year at the option of B limited.



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••• [Nitesh Gupta](#) 16 July 2019

It is classified as Financial liability...because it has obligation to deliver cash i.e 14% of rs140000 for payable half yearly....on the other hand it has obligation to settle in own shares but at the option of holder....thus it is assumed that the holder does not exercise his right of conversion into equity therefore the financial instrument is classified as Financial liability but if we talk in technical term it is compound instrument which has both elements equity as well as financial liability...but the value of equity is very small i.e(option value)....i hope your query is resolved

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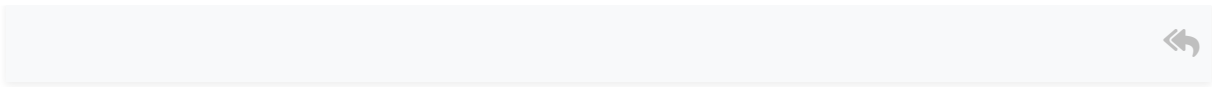
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••• [Bessmislal](#) (pretty sure) 17 July 2019

Thanks for sharing



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